

INFORMATION REPORT

CONFIDENTIAL

CD NO.

25X1A

FW
769

COUNTRY Germany (Russian Zone)

DATE DISTR. 21 Sep 50

SUBJECT Difficulties in Balancing the DDR Budget

NO. OF PAGES 2

25X1C

NO. OF ENCLS.
(LISTED BELOW)

SUPPLEMENT TO
REPORT NO.

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1.

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2.

The fulfillment of the budget was not satisfactory in the first half of 1950. Income actually did reach the set quota, but only through inclusion of sums outside the period. According to industrial production statistics, taxes on consumption should have been considerably higher. The financial payments from the HC have run according to schedule. It is, however, a disturbing note that the Ministries of Industry and Planning have, on short notice, changed their production schedules without advising the Ministry of Finance. The Ministry for Foreign Trade has also changed its import and export quotas in the same irregular manner. As an example, the export of sugar has now been raised to the detriment of liqueur production. This jeopardizes the budget by reducing excise taxes. In the future, better cooperation between ministries should be effected. Another case in point is the insufficient income from beer taxes because of the complete lack of hops. The payments to the Budget Division by nationalized industry are endangered because the Deutsche Notenbank insists that its demands on nationalized industries take precedence over other commitments. This situation should be rectified as soon as possible.

3.

Expenditures were not as high as planned for the reason that funds were not available. The obligations of the Budget Division to the Deutsche Notenbank and to the Investitionsbank were not completely met. This is not serious in the case of the Investitionsbank, since the investment plan was not fulfilled because of material shortages and so forth, and the Investitionsbank still has unused funds at its disposal.

4.

Seventy-three percent of the Budget Division's income consists of taxes. This puts us under the obligation of scrutinizing all expenditures. It is not authorized, for example, to install radios in ever increasing numbers in government cars. Such expenditures must in the future be charged against the individual concerned. We should take a look at unauthorized savings, special funds and all reserves in public offices and institutions. All administration offices which are no longer authorized should be closed down immediately. Examples of these

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Auth.: HR 70-2

Date: Approved For Release 2002/08/08 : CIA-RDP82-00457R005700680001-1

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CENTRAL INTELLIGENCE AGENCY

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are the Bank Commission, with **273** employees, and the Konversionskasse on Judenstrasse, the employees of which all live in the west sectors of Berlin and are paid in Westmarks.

4. Control of the assets and monies of the state must be thoroughly centralized. Every penny is needed. As the highest office of finance, the Finance Ministry must be completely informed on all the financial means available.

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